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SAFEWAY
1957

SAFEWAY'S FINANCIAL HIGHLIGHTS

	1957	1956	1955
OPERATIONS			
Sales	$2,117,314,394	$1,989,305,295	$1,932,243,202
Profit Before Income Taxes	65,017,646	53,361,450	27,330,427
Net Profit	30,906,876	25,406,310	13,621,803
Dividends To Preferred Stockholders	1,391,567	1,941,448	2,272,334
Net Earnings Applicable To Common Stock	29,515,309	23,464,862	11,349,469
Net Earnings Per Share of Common Stock Based on Average Number of Shares Outstanding During The Year	2.48	2.14	1.08
Dividends To Common Stockholders	10,767,290	8,819,417	8,385,676
Dividends Per Share of Common Stock	.90	.80	.80
FINANCIAL			
Current Assets	$ 239,788,759	$ 238,191,133	$ 263,598,336
Current Liabilities	126,441,319	132,227,577	168,013,570
Working Capital	113,347,440	105,963,556	95,584,766
Current Ratio	1.90 to 1	1.80 to 1	1.57 to 1
Equity of Common Stockholders	173,687,904	145,513,358	115,681,313
Book Value Per Share of Common Stock	14.30	12.63	11.02
SOURCE AND USE OF FUNDS			
Funds Provided From:			
Net Profit	$ 30,906,876	$ 25,406,310	$ 13,621,803
Depreciation Provision	23,853,949	22,671,270	20,082,223
Net Proceeds From Sale of Capital Stock, Less Retirements	897,627	606,800	(285,993)
TOTAL	55,658,452	48,684,380	33,418,033
Funds Used For:			
Payment of Dividends To Owners of Company	12,158,857	10,760,865	10,658,010
Increase in Working Capital	7,383,884	10,378,790	(22,304,037)
Additions To Fixed Assets (Net)	27,933,769	16,374,760	51,217,082
Reducing Long Term Indebtedness	8,119,671	10,915,916	(5,715,160)
Increasing Other Assets	62,271	254,049	(437,862)
TOTAL	55,658,452	48,684,380	33,418,033
RETAIL STORES			
In Operation—Beginning of Year	1,981	1,988	1,998
New Stores Opened	186	93	104
Old Stores Closed	134	100	114
In Operation—End of Year	2,033	1,981	1,988

Executive Officers

ROBERT A. MAGOWAN, *President and Chairman of the Board of Directors*
RALPH D. BROWN, *Vice President*
GEORGE T. BURROUGHS, *Vice President*
HUGH FROST, *Vice President*
A. RUSSELL GRIFFITH, *Vice President and Controller*
WILLIAM S. MITCHELL, *Vice President*
J. W. RUPLEY, *Treasurer*
DRUMMOND WILDE, *Secretary and Vice President*

Directors

ROBERT A. MAGOWAN, *Chairman of the Board*
J. G. BOSWELL, II
GEORGE T. BURROUGHS
NORMAN CHANDLER
CHARLES DE BRETTEVILLE
HUGH FROST
ARTEMUS L. GATES
A. RUSSELL GRIFFITH
JOSEPH M. LONG
MICHAEL W. McCARTHY
WILLIAM S. MITCHELL
MILTON L. SELBY
JACK I. STRAUS
BRAYTON WILBUR

Executive Committee

ROBERT A. MAGOWAN, *Chairman*
CHARLES DE BRETTEVILLE
JOSEPH M. LONG
MILTON L. SELBY
BRAYTON WILBUR

Executive Offices

4th and Jackson Streets, Oakland, California

Transfer Agents

THE CHASE MANHATTAN BANK
New York, New York
CROCKER-ANGLO NATIONAL BANK
San Francisco, California

Registrars

CITY BANK FARMERS TRUST COMPANY
New York, New York
THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION
San Francisco, California

Auditors

PEAT, MARWICK, MITCHELL & CO.

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

YEAR	Common Stockholders' Equity	BOOK VALUE	INCOME TAXES	NET EARNINGS	DIVIDENDS PAID
		Per Share of Common Stock*			
1948	$ 62,831,129	$ 8.15	$ .89	$1.17	$.33⅓
1949	72,540,490	9.41	1.27	1.68	.41⅔
1950	84,138,774	9.92	1.79	1.73	.80
1951	83,643,147	9.86	.67	.75	.80
1952	82,536,880	9.68	1.15	.67	.80
1953	96,990,400	10.41	1.72	1.44	.80
1954	112,458,013	10.77	1.44	1.17	.80
1955	115,681,313	11.02	1.31	1.08	.80
1956	145,513,358	12.63	2.55	2.14	.80
1957	173,687,904	14.30	2.87	2.48	.90

*Number of Shares adjusted to reflect November 8, 1957, 3 for 1 split

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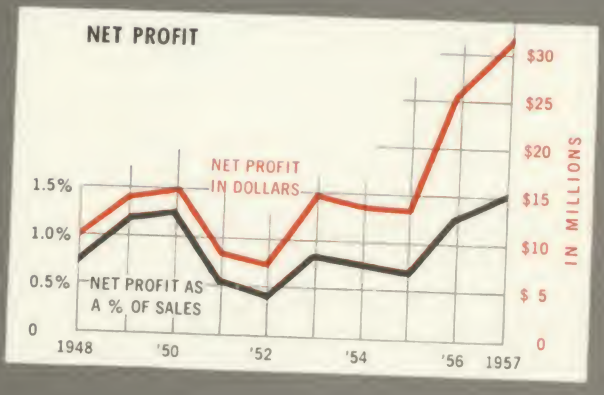


SAFEWAY STORES, INCORPORATED

TO THE STOCKHOLDERS:

The year 1957 was one of continued progress. Both sales and net profit reached the highest levels in the Company's history. Our financial position also strengthened.

Sales Set New Record — Sales totaled $2,117,314,394 and exceeded 1956, the highest previous year, by 6.4%. This made Safeway the third retail organization to exceed the $2 billion annual sales level and the first U.S. business with Western headquarters to achieve this mark.

Improved Net Profit and Earnings — Net profit for 1957 amounted to $30,906,876 — an increase of $5.5 million over 1956 and $17.3 million over 1955. Net earnings per share of common stock, after adjustment for the 3-for-1 split, increased to $2.48 for 1957 from $2.14 for 1956 and $1.08 for 1955 based on the average number of shares outstanding during each year. On the strength of this continued improvement in earnings and the generally stronger financial condition, the Board of Directors increased the dividend rate on the common stock by 25% effective with the October 1, 1957 payment.

Financial Position Strengthened — Working capital increased nearly $8 million over 1956 and was $18 million higher than at the close of 1955. The ratio of current assets to current liabilities at year end was 1.90 to 1 as compared to 1.80 at the end of 1956, and 1.57 for 1955. This improvement during 1957 was accomplished largely by reducing current payables. Total current assets, consisting principally of inventories and cash, were approximately the same as a year ago. We are again able to report that there were no bank loans during the past year. Book value per share of common stock was $14.30 at the end of 1957 as compared to $12.63 and $11.02 at the close of 1956 and 1955, respectively.

Store Facilities Expanded — The Company opened 186 new retail stores during 1957, replacing 134 older buildings, for a net increase during the year of 52 retail facilities. The plans for 1958 call for continuation of this expanded building program.

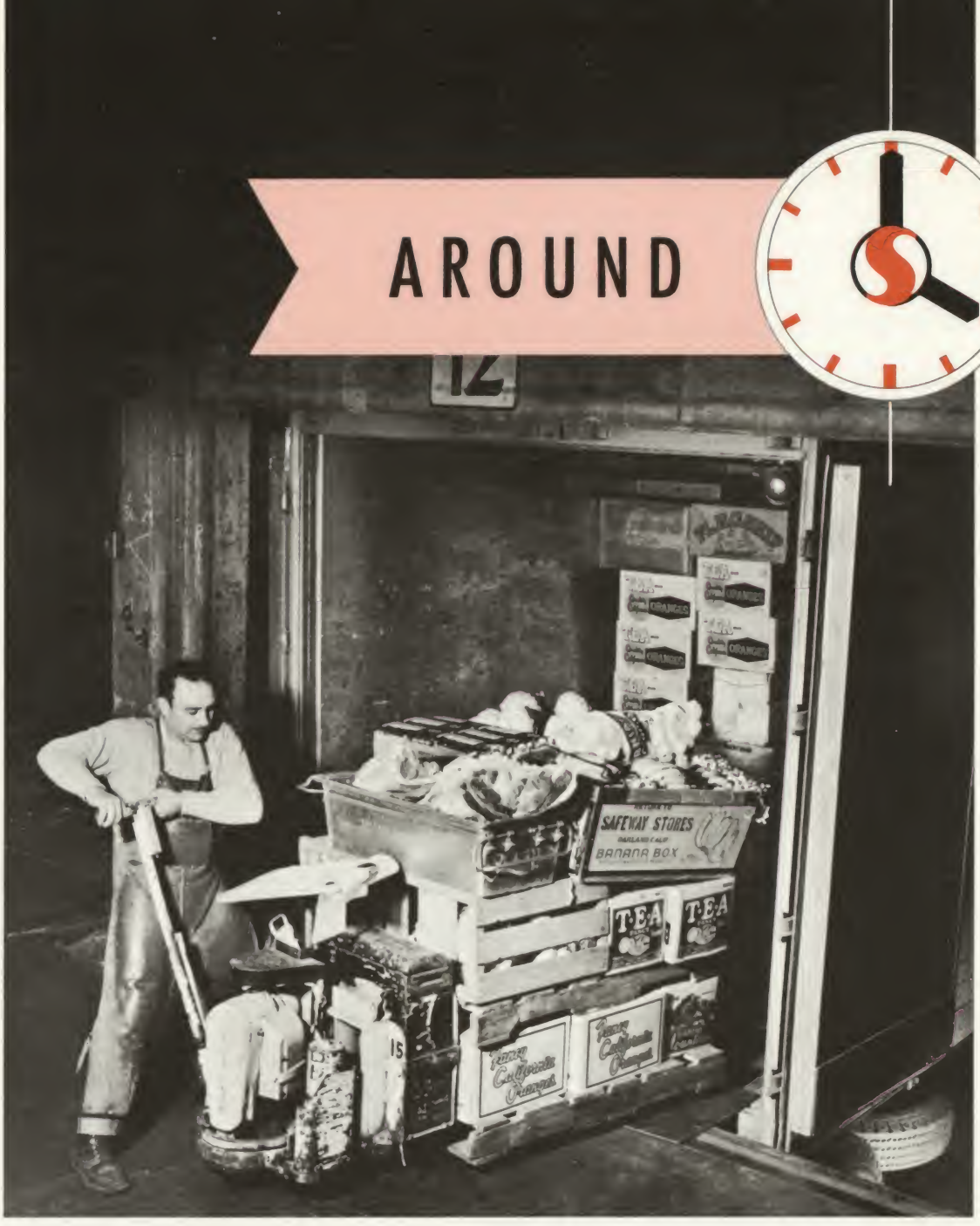
These comments point briefly to major improvements and accomplishments during the past year. Much additional and more detailed information is contained in this Annual Report. We believe the future will present opportunities for continued growth and development . . . and to that future we, in Safeway, look forward with confidence and optimism.

March 14, 1958

Robert A. Magowan

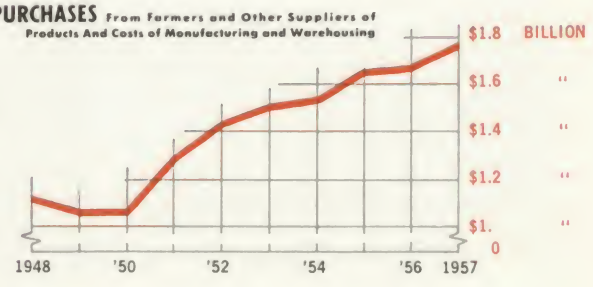
President and Chairman of the Board

AROUND ...



Costs of merchandise and purchases from farmers and other suppliers increased by more than 55% during the last decade. In 1957, $1,736,431,883 was paid out.

PURCHASES From Farmers and Other Suppliers of Products And Costs of Manufacturing and Warehousing



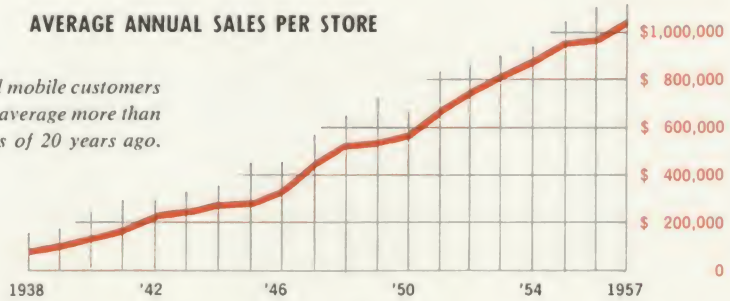
THE CLOCK WITH SAFEWAY

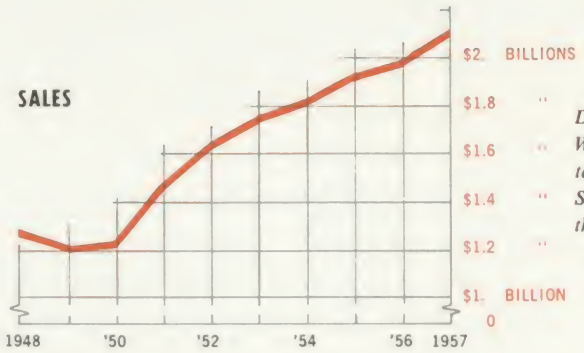
Long before dawn, while most people sleep, the day begins at Safeway. Trucks are loaded by each Retail Division and roll from its warehouses to its retail stores. These deliveries also represent the procurement and research efforts of the Company's service and supply staffs. The Produce Division operates buying offices and prepackaging plants, as does the Meat Supply Division with its processing plants and offices. The Dairy Division's butter, ice cream, egg, milk and cheese plants provide fresh, local supplies. New developments in equipment, handling and display are investigated by the Merchandise Handling Division. The duties of supply and service staffs sometimes require early activity—like this Lucerne fieldman who often shows up at milking time for his work with dairymen.

Merchandising programs and advertising plans of all kinds are developed by the Advertising and Market Research Division as a service to retail operating divisions. Pinned on the wall are ad headlines also suggesting some of the helpful activities performed by the Company's Personnel Services Division.

AVERAGE ANNUAL SALES PER STORE

Increased population and mobile customers enable Safeway stores to average more than 10 times the annual sales of 20 years ago.

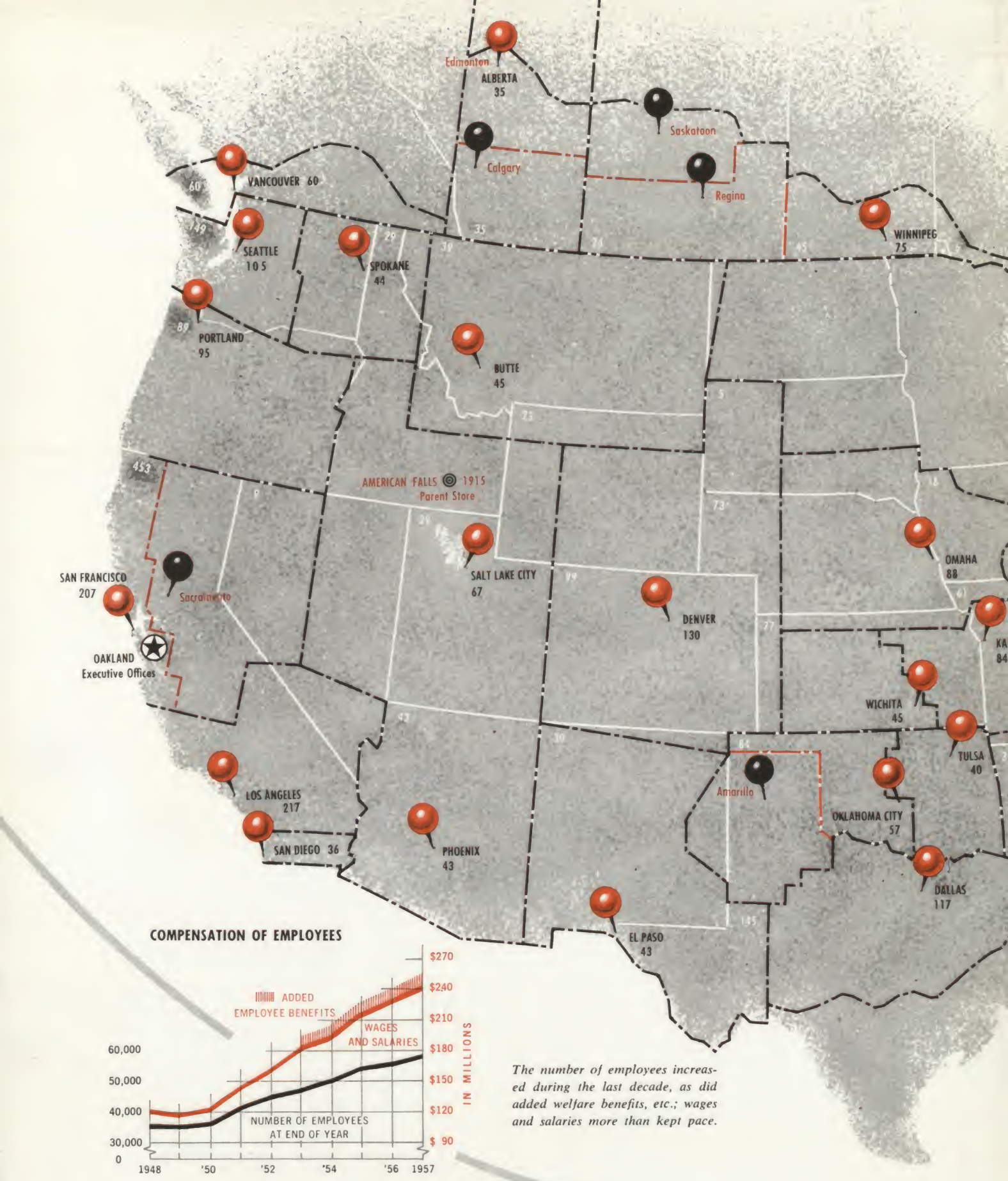




During 1957 Safeway became the first Western U.S. business and second grocer to reach annual sales of two billion dollars. Started in Idaho in 1915, Safeway also was the youngest company with such 1957 sales.

President Robert A. Magowan (front right) talks with Vice Presidents, Retail Division managers and their Zone men; all get together twice a year.

In rear, from left: E. L. McIntosh, Butte; Frank G. Pringle, Omaha; Quentin Reynolds, San Francisco; G. M. Mangan, Portland; Fred E. Rowland, New York; Ralph D. Brown, industrial and public relations; D. B. Kane, Los Angeles; G. T. Burroughs (standing) real estate and construction; Virgil Needham, Tulsa; J. M. Tudor, Kansas City; Drummond Wilde, secretary and general counsel; W. R. Low, Wichita; Henry Clay, Sacramento zone; Hugh Frost, advertising, personnel and research; A. R. Griffith, controller. Front, clockwise: J. L. Heathcote, Seattle; R. E. Templeman, Oklahoma City; Morris B. McCartt, Amarillo zone; David Kimmel, El Paso; William S. Mitchell, supply operations; L. M. Pringle, Little Rock; T. W. Henritze, Denver; G. R. Stafford (across table) Spokane; C. A. Bradburn, Dallas; W. E. Williams, Salt Lake; Edgar Balshaw, Washington, D. C.; Merle E. Mantle, San Diego; V. M. Welker, Phoenix; Mr. Magowan. Absent Canada Safeway Divisions: W. J. Kraft, Vancouver; W. J. McCann, Winnipeg; and W. A. Hembroff, Alberta; and Canada Zones: C. A. Bates, W. F. Griffiths, J. A. Johnson, G. E. Rudolph.



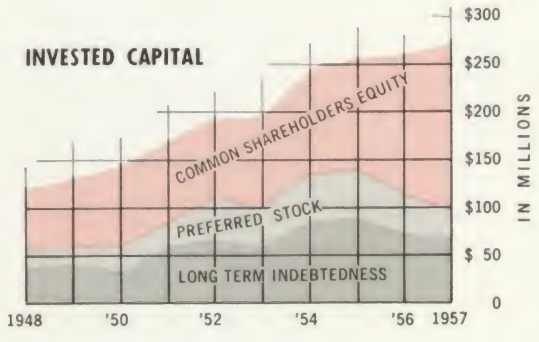
COMPENSATION OF EMPLOYEES

The number of employees increased during the last decade, as did added welfare benefits, etc.; wages and salaries more than kept pace.

This map shows boundaries of Safeway's Retail Divisions. Their names, number of stores, and headquarters locations are indicated at red pins. Some have subordinate Zone managements shown by black pins. Of Safeway's 2,033 stores, the number in each state or province is shown by white numerals therein.

Roy Price of Ft. Dodge, Iowa, won 1957 national recognition as "Good Citizen of the Year." His civic interest represents that of 2,033 fellow store managers who, like Roy, perhaps paused at this same time to make sure all was ready for a busy afternoon ahead. Roy's store illustrates Safeway's neat, pleasant shopping appeal.

A Safeway quality control inspector examines Bel-air broccoli before it is frozen by one of the many packers from whom Safeway Brands are purchased. Foods must be carefully processed to Company specification. Piedmont Suppliers Division buys frozen, dried and canned foods, fruits, and vegetables; salts and spices; health and beauty aids, paper products, containers, housewares, and other non-foods. Brookside Distributors Division processes coffees; syrups, juices, jams, and preserves; spreads, dressings, oils, shortening, soaps and cleaners.

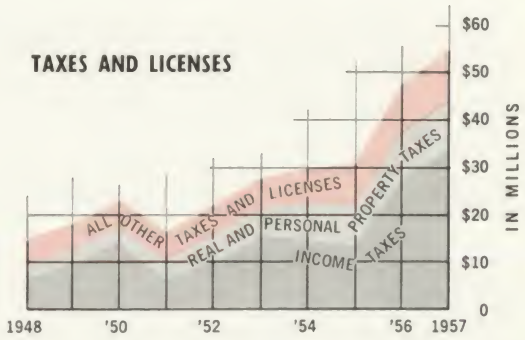


The story of growth during the last decade is shown by the steady expansion of common stockholders' equity. Recent reduction of long-term indebtedness also will be noted.

Experiments with new store designs, layouts and building materials always are under way at the Retail Engineering Division. It also assists Retail Divisions construct, maintain and modernize their store facilities. Similarly, the Real Estate Division helps select and finance the buy-build-sell-lease properties. As a result, many people own Safeway's fine store buildings.

Replacement of retail store facilities had a postwar spurt but continued emphasis in the last few years has nearly recaptured the pace, has reversed the trend in totals.

Income taxes were $34,110,770 in 1957 while real estate, personal property taxes were $10,051,573. All taxes and licenses: $54,740,536.



Night comes. Stores close, but Safeway's day goes on. An inventory crew starts checking merchandise after customers depart. They will check another store tomorrow. The Accounting Division uses reports of all kinds to record the myriad of daily transactions that occur while the clock hands are going 'round. Such accounting determines the amounts paid by the Company in local, state and national taxes. Compiling the necessary data is the continuing function of the experienced staff of the Tax Division ...The Bakery Division provides Safeway Brands of bread, biscuits, flour, cereals, gelatins and confections. As Safeway's day ends, a bakery oven turns out fragrant, golden loaves that are fresh for morning's customers.

For Your Information

COMMON STOCK SPLIT-UP: At the Special Meeting held on November 4, 1957 the Common Stockholders approved an amendment of the Company's Charter to split up each share of the Company's Common Stock, $5 par value, into three shares of the par value of $1.66⅔ per share. When the amendment of the Company's Charter became effective on November 6, 1957, the Company's authorized Common Stock was increased and changed from 9,000,000 shares of the par value of $5 each to 27,000,000 shares of the par value of $1.66⅔ each. On November 18, 1957 the certificates for the additional shares resulting from this 3-for-1 split-up were distributed to stockholders of record on November 6, 1957. Each certificate for the old ($5 par value) Common Stock continues to represent the same number of shares of the new $1.66⅔ Par Value Common Stock and should be retained as the old certificates were not called in and will continue to be acceptable in transactions on the New York Stock Exchange and the Pacific Coast Stock Exchange.

Distribution of the additional shares to our Common Stockholders did not change their proportionate interest in the Company, although the interest represented by each share, after giving effect to the split-up, was reduced proportionately. No change was or will be made in the stated capital or surplus accounts by reason of the split-up.

ADDITIONAL COMMON STOCK OPTIONS: At the Special Meeting held on November 4, 1957 the Common Stockholders approved, pursuant to Article Sixth of the Company's Charter, the granting by the Board of Directors to selected officers and other employees of restricted options to purchase an additional 100,000 shares of the Company's Common Stock ($5 par value). As a result of the 3-for-1 split-up of the Common Stock, the number of shares so reserved for issuance under such options was adjusted to 300,000 shares ($1.66⅔ par value).

LITIGATION: The antitrust litigation, consisting of a criminal action and a civil action that were commenced by the Government at Fort Worth, Texas, in 1955, was terminated by consent judgments or decrees entered in 1957. This litigation resulted from action taken to meet trading stamp competition, loss leaders and other practices of competitors in Texas and New Mexico.

The criminal action, which involved misdemeanor charges against the Company, its then President and its then Dallas Division Manager, was settled in June of 1957 by the Court's acceptance of the defendant's pleas of nolo contendere (do not desire to contend). Substantial fines were imposed upon all three defendents and the two individual defendants were given suspended jail sentences on these misdemeanor charges.

The companion civil action, which involved the Company only, was settled by the signing and entry on December 7, 1957 of a Consent Decree, the provisions of which apply to the operations of the Company and its subsidiaries in the United States. Under the terms of this Consent Decree the Company is enjoined from:

1. Setting arbitrary quotas of the total available retail food business to be attained by the Company in any part of the United States, or requiring the personnel of the Company to meet any such quota.
2. Selling items (as therein defined) at prices which are below cost or unreasonably low or operating any retail store or department thereof below the cost of doing business, for the purpose of attempting to monopolize or monopolizing the sale of food or food products at retail in any part of the United States, or for the purpose or with the natural and probable effect of destroying competition or eliminating a competitor engaged in the sale of such products at retail.
3. Engaging in geographical price discriminations for any such unlawful purpose.
4. Establishing or maintaining (a) a low gross profit rate for any store or department, or (b) low retail prices for any such store or department, knowing that such gross profit or retail prices, with reasonably anticipated sales volume, will cause such store or department to operate below the cost of doing business.

The Decree also contains other provisions which deal with the burden of proof when certain charges are made and acts are proved, penalties which may be imposed upon the Company by the Court if the Company should be found by the Court to have violated the Decree and other matters which are normally covered by a consent decree terminating a civil antitrust action brought by the Government.

The termination of this litigation by these consent judgments, without any testimony having been taken in either case, has relieved the Company, its executives and personnel, and the Government of the substantial expense, time and effort that long drawn-out trials of these cases would have involved.

STATE

Current Assets:

Cash	
Short term municipal notes—at cost	
Accounts and notes receivable—less allowance for uncollectible accounts $110,723	
Merchandise inventories—at lower of cost or market	
Prepaid expenses	
Properties for development and sale within one year under the Company's real estate program	
Total Current Assets	

Deduct Current Liabilities:

Notes payable to banks	
Debentures payable	
Accounts, mortgage notes and drafts payable	
Accrued expenses	
Dividends payable	
Federal and Canadian income taxes	
Total Current Liabilities	

Working Capital (Carried forward)	
Current assets per dollar of current liabilities	

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

STATEMENT OF PROFIT AND LOSS

and Net Income Retained in the Business for the Year Ended December 31, 1957

with Comparative Figures for the Two Preceding Years

	1957	1956	1955
Sales	$2,117,314,394	$1,989,305,295	$1,932,243,202
Cost of Sales (including depreciation $7,001,056)	1,736,431,883	1,636,162,631	1,624,810,518
Gross profit	380,882,511	353,142,664	307,432,684
Operating and Administrative Expenses (including depreciation $16,852,893)	312,941,420	294,391,009	274,259,865
Operating profit	67,941,091	58,751,655	33,172,819
Other Income	642,087	638,104	272,671
	68,583,178	59,389,759	33,445,490
Other Charges:			
Interest on debentures	2,515,624	2,848,157	2,991,653
Other interest	401,650	2,235,896	1,877,231
Amortization of debenture issue expense	167,966	158,212	165,482
Loss on disposition of fixed assets (net)	63,953	353,272	707,352
Dividends to public on preferred stock of a subsidiary	416,339	432,772	373,345
	3,565,532	6,028,309	6,115,063
Profit before taxes on income	65,017,646	53,361,450	27,330,427
Provision for Taxes on Income:			
Federal income tax	28,134,601	23,472,280	10,490,000
Canadian and other income taxes	5,976,169	4,482,860	3,218,624
	34,110,770	27,955,140	13,708,624
Net Profit	30,906,876	25,406,310	13,621,803
Net Income Retained in the Business at Beginning of Year	79,101,938	64,045,824	61,615,251
	110,008,814	89,452,134	75,237,054
Deduct:			
Cash dividends:			
4.30% convertible preferred stock	318,325	842,286	1,146,842
4% preferred stock	1,073,242	1,099,162	1,125,492
Common stock—$.90 per share 1957, $.80 in 1956 and 1955 (adjusted to reflect 3 for 1 stock split)	10,767,290	8,819,417	8,385,676
Expense of sale of 4.40% preferred stock and premium on redemption of 5% preferred stocks of Canada Safeway Limited	—	—	540,605
Transfer to additional paid-in capital of issue expense of 4.30% preferred stock converted into common stock	(247,304)	(407,893)	(7,385)
Gain on acquisition of preferred stock of a subsidiary	(20,254)	(2,776)	—
	11,891,299	10,350,196	11,191,230
Net Income Retained in the Business at End of Year	$ 98,117,515	$ 79,101,938	$ 64,045,824

See notes to financial statements.

as of December 31, 1957

with Comparative Figures for the Two Preceding Years

1957	1956	1955
$113,347,440	$105,963,556	$ 95,584,766
3,384,393	3,154,156	2,902,973
153,811,648	149,731,828	156,028,338
797,610	965,576	962,710
271,341,091	259,815,116	255,478,787
55,011,000	61,353,500	69,780,000
1,889,787	3,346,258	5,533,374
9,377,000	9,697,700	10,000,000
66,277,787	74,397,458	85,313,374
205,063,304	185,417,658	170,165,413
4,804,600	12,972,500	26,444,300
26,570,800	26,931,800	28,039,800
31,375,400	39,904,300	54,484,100
$173,687,904	$145,513,358	$115,681,313
$ 20,238,552	$ 19,194,832	$ 17,502,072
55,331,837	47,216,588	34,133,417
98,117,515	79,101,938	64,045,824
$173,687,904	$145,513,358	$115,681,313

Notes to Financial Statements

DEBENTURES PAYABLE: The debentures payable, redeemable at the option of the Company or Canadian subsidiary at varying premium rates prior to maturity, consist of: parent, $57,000,000 at 3.35% to 4¼% interest, maturing $5,000,000 annually, plus $1,000,000 sinking fund requirement annually through 1964 and then $3,000,000 annually through 1968, maturing in 1969; Canadian subsidiary, $4,211,000 at 4½% interest, maturing $200,000 annually, plus $120,000 sinking fund requirement annually through 1965 and then $360,000 annually through 1969, maturing in 1970 ($149,000 of debentures have been acquired to meet the 1958 and a portion of the 1959 sinking fund requirements).

Under the Indenture covering the parent company's debentures, the net income retained in the business as of December 31, 1957 is restricted in the amount of $60,875,609 as to dividend payments other than in capital stock, and as to acquisition of its own stock. Certain other restrictions, including one upon creation of additional funded indebtedness, are imposed.

CAPITAL STOCK: The terms of issue of the parent company's 4.30% and the 4% preferred stocks require sinking funds sufficient to provide for retirement annually of 2% of the largest amount outstanding, with the requirement as to the 4.30% preferred commencing in 1965. The total 4% preferred sinking fund requirement for 1958 is 6,216 shares, less 3,408 shares which were surrendered in 1957. The preferred stocks are subect to redemption on call at a premium which is now $1.00 per share on the 4% preferred, $2.00 per share on the 4.30% preferred and $4.00 per share on the Canadian preferred, which reduces ultimately to 50 cents per share.

Pursuant to a 3-for-1 split-up as of November 6, 1957, the Company's authorized shares of common stock were increased from 9,000,000 to 27,000,000 and the par value was reduced from $5 to $1.66⅔ per share.

Of the unissued common stock of the company, 313,343 shares are reserved for conversion of the outstanding 4.30% preferred stock, convertible at par at $15.33⅓ per share of common.

In addition, 420,714 shares of the common stock are reserved for issuance to officers and employees pursuant to a restricted stock option plan that was approved in 1951 and a supplement thereto which was approved in 1957, under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate their employment before a fixed date. On the basis of $1.66⅔ par value shares, 171,291 shares were issuable at a total option price of $2,388,498 under options outstanding at the beginning of the year; there were 44,400 unoptioned shares available at the beginning of the year for the granting of options under the plan; options for 44,400 shares were granted during the year at the option price of $26.084 per share and during the year options for 94,977 shares were exercised at a total option price of $1,190,802; no options expired or were cancelled in 1957 and no changes occurred during the year in the exercise price of outstanding options, except price changes resulting from the normal operation of anti-dilution provisions of the options. At the end of the year options were outstanding for 120,714 shares, of which 15,000 shares were exercisable at $12.209 per share; 27,864 at $11.292 per share; 4,800 at $15.125 per share; 28,650 at $21.896 per share and 44,400 at $26.084 per share. 300,000 additional shares were made available under the supplemental plan approved in 1957 and were available at the end of the year for granting options. On February 4, 1958, options for 43,000 shares were granted under the supplemental plan at the option price of $25.625 per share. All matured options become void unless exercised within three months after employment terminates, with one year extension on employee's death, and in any event, after December 31, 1961 as to those granted under the original plan, and after December 31, 1967 as to those covered by the 1957 supplement to the plan.

ADDITIONAL PAID-IN CAPITAL: Changes in 1957 consist of excess of par value of 4.30% preferred stock over that of common stock issued on conversion $7,260,574 less pro-rata share of original issue expense $247,304, excess of proceeds over par value of common stock issued under options exercised $1,032,507 and discount on 4% preferred stock acquired $69,472.

EMPLOYEE RETIREMENT AND PROFIT-SHARING PLANS: Company payments into Employee Retirement Plan Trust Funds for the year amounted to $2,222,104, and to the Profit-Sharing Plan Trustee amounted to $3,914,803.

CONTINGENT LIABILITIES, COMMITMENTS, ETC.: (a) The liability upon completion of contracts for the construction of buildings not reflected in the financial statements amounted to approximately $14,500,000.

(b) Property leases in effect number 2,646, of which 2,279 contain options to cancel. Should the company exercise these options, it could be required to purchase 1,663 properties. The minimum annual rental for 1958 under all leases (some of which contain percentage of sales clauses) is approximately $27,000,000; this amount decreases annually until the year 2007 as leases expire.

(c) The Company is a defendant in several lawsuits brought by private litigants to recover alleged damages and secure other relief for alleged violations of the Sherman Antitrust Act and the Robinson-Patman Act. None of these cases have yet come to trial.

(d) The accounts of the Canadian subsidiaries are consolidated as U. S. funds at dollar for dollar.

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

MENT OF FINANCIAL POSITION

PEAT, MARWICK, MITCHELL & CO.

ACCOUNTANTS REPORT

The Board of Directors,
Safeway Stores, Incorporated:

We have examined the statement of consolidated financial position of Safeway Stores, Incorporated and all subsidiaries as of December 31, 1957 and the related statement of profit and loss and net income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and all subsidiaries at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

San Francisco, California
February 21, 1958

Peat, Marwick, Mitchell & Co.

	1957	1956	1955
Working Capital (Brought forward)	$ 45,539,848	$ 49,581,091	$ 60,000,926
Notes Receivable and Miscellaneous Investments	5,002,594	—	—
Fixed Assets—at cost less depreciation $110,296,433	7,890,747	7,660,820	6,622,743
Unamortized Debenture Issue Expense	150,122,361	149,761,023	155,819,585
Working Capital and Other Assets	7,005,375	6,398,846	6,978,141
	24,227,834	24,789,353	34,176,941
	239,788,759	238,191,133	263,598,336
Deduct:			
Debentures payable—long term	—	—	50,900,000
Mortgage notes payable, secured by land and buildings costing $8,579,147—long term	6,200,000	6,200,000	6,470,000
Preferred stock of Canadian subsidiary held by public—par value	75,687,985	87,673,005	85,181,273
Stockholders' Equity	20,389,382	15,816,239	12,938,969
Deduct:			
4.30% convertible preferred stock (cumulative) par value $100 per share—authorized and outstanding 48,046 shares	422,426	523,555	677,452
4% preferred stock (cumulative) par value $100 per share—authorized 486,080 shares, outstanding 265,708 shares	23,741,526	22,014,778	11,845,876
Common Stockholders' Equity	126,441,319	132,227,577	168,013,570
Consisting of:			
Common stock—par value $1.66⅔ per share—authorized 27,000,000 shares, outstanding 12,143,131 shares (after deducting 45,960 shares in treasury)	$113,347,440	$105,963,556	$ 95,584,766
Additional paid-in capital			
Net income retained in the business	$ 1.90	$ 1.80	$ 1.57
Common Stockholders' Equity			